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COUNTRY Hungary/USSR

SUBJECT Soviet-Hungarian Settlement  
Negotiations

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- One of the main points of disagreement between the Hungarian and Soviet Governments has been the question of the transfer of dividends of the joint Soviet-Hungarian companies and of subsidies for these companies. The Hungarian Government is determined to stand firm on this point. The Soviet attitude is that they will revise their own point of view after the main question, i.e. German assets, has been settled.
- Over the question of German assets there has been much haggling. The Hungarians put in a "bid" at \$10,000,000 against the Soviet reduced claim of \$50,000,000. The Hungarians raised their "bid" secondly to \$25,000,000 and finally to \$35,000,000 against the final Soviet claim of \$45,000,000. There the matter rests at the moment.
- The Hungarians wish to include in this figure of \$35,000,000 all claims by the Soviets and mixed Hungarian-Soviet companies. The Soviets wish to settle the dividend claims of those companies they have taken over, and the mixed Hungarian-Soviet companies which both owe money to Germany. As these companies are not in a position to pay, the result may well be greater Soviet control over the mixed companies.
- Regarding the question as to when the German claims are to be paid, the Hungarian line is that this will only be possible after reparations have been paid off - i.e. in six years time. The Soviets want payment considerably before this time, and have stated that they are prepared to invest the greater part of such payments in Hungary. The final Soviet ruling to date is that the conditions of payment can only be settled when agreement on the sum to be paid has been reached.
- A further question at issue is whether the cost of the Army of Occupation shall be paid by the Hungarian Government during the 90 days following ratification. This, amounting to some 30,000,000 forint a month, may well be claimed by the Soviets.

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